FINANCING URBAN TRANSPORTATION IN THE MONTRÉAL REGION

Michel Beaulé

Ministère de la Métropole
Gouvernement du Québec

Paper prepared for presentation at the Panel Discussion

Beyond the Tooth Fairy - Responding to the Crisis in Urban Transportation Financing

of the 1998 Annual Conference of the
Transportation Association of Canada
Regina, Saskatchewan

September 21, 1998

Financing Urban Transportation in the Montréal Region

1. URBAN TRANSPORTATION SITUATION

a) Road Network

1. Organization

In the Montréal region and elsewhere in Québec expressways and designated provincial highways are built and managed by the Ministry of Transportation of Québec (MTQ).

An extended expressway network was built by the MTQ between 1955 and 1978 in order to improve links between the metropolitan area and other regions of Québec, Canada and the USA. This encouraged increased car ownership and population growth in the suburbs.

Arterial and local roads are managed by 111 local municipalities. The Communauté urbaine de Montréal (CUM) and the 12 regional municipalities involved in the metropolitan area play no other role than setting the approximate location of arterial roads in their land use plans.

The organization is characterized by

- a multiplicity of decision-making centers
- the absence of coordination, except for major road and bridge repairs
- the decisive roles played by the MTQ through its expressway network, and the City of Montréal which uses traffic lights to control access to its territory.

2. Financing

Expressways and provincial highways are financed through general government revenue.

Arterial and local roads are financed by general municipal revenue, or by specific property taxes in the case of new developments.

According to an economic study commissioned by the MTQ, the 3 levels of government spend about a billion dollars a year in capital and operating expenses for the road network in the metropolitan area. Municipalities account for 70% of this amount, the provincial and federal governments contributing 20% and 10% respectively.

This study also shows that households and businesses spend $8 346 M, a year on transportation.

b) Public Transit Systems

1. Organization

Public transit systems are controlled locally by elected municipal representatives.

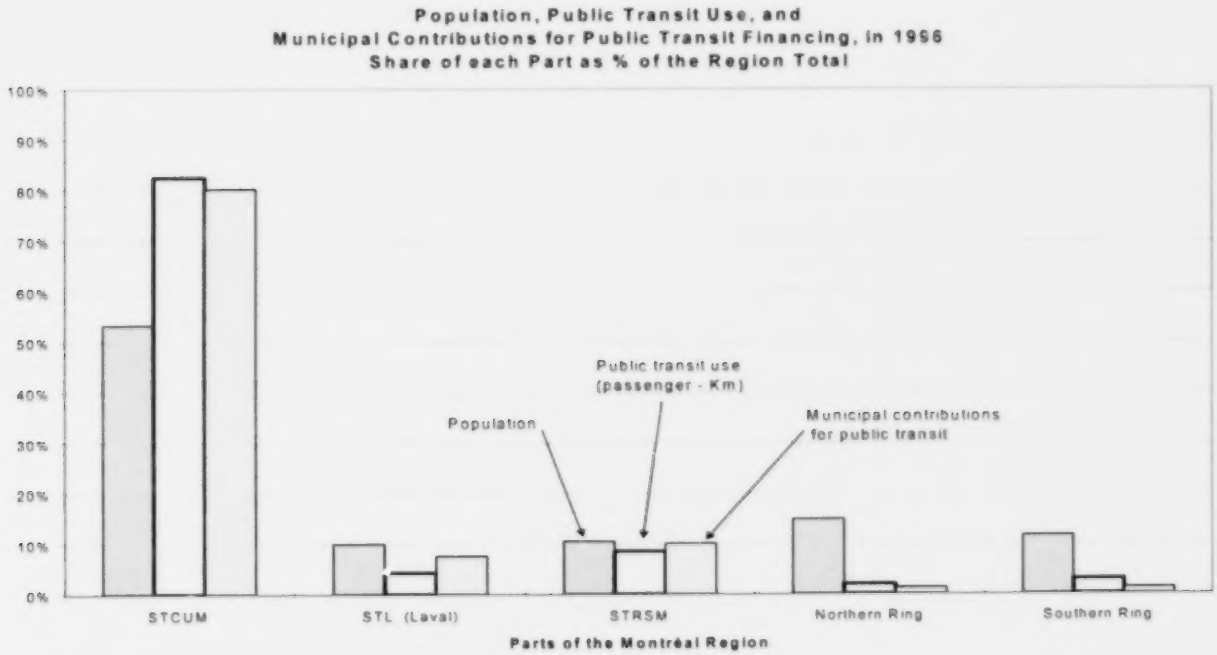
20 transit authorities are operating in the Montréal region :

3 transit corporations provide services to the Island of Montréal, Laval and 7 urban municipalities on the South shore of the Saint Lawrence River

STCUM :	Société de transport de la Communauté urbaine de Montréal
STL :	Société de transport de la Ville de Laval
STRSM :	Société de transport de la rive sud de Montréal

17 transit systems managed directly by municipalities or through Intermunicipal Transit Councils (ITC)[1] serve the suburban rings.

The three transit corporations carry 97.3% of passengers and receive 97.7% of municipal contributions to public transit in the region.



[1] A group of municipalities along a transit corridor.

Public transit in the region is characterized by

- multiple decision-making centers
- transportation authorities of very different sizes, with conflicting interests
- problems of coordination
- an intense and long-lasting debate on spill-over effects (use of a transit system by non-residents).

However, a government agency, the Agence métropolitaine de transport, was created in 1996 to improve coordination among transport authorities and to develop intermodal services. The AMT's role will be discussed more fully in a later section.

2. Financing

Passenger revenues cover one third of total expenses, including investment and debt charges, and more than 40% of operations. Most smaller transit systems cover a higher proportion of their expenses with passenger revenue.

Passengers of each transit corporation pay a single-rate fare to use their own system. Fares on commuter trains and suburban bus systems are differentiated according to zones.

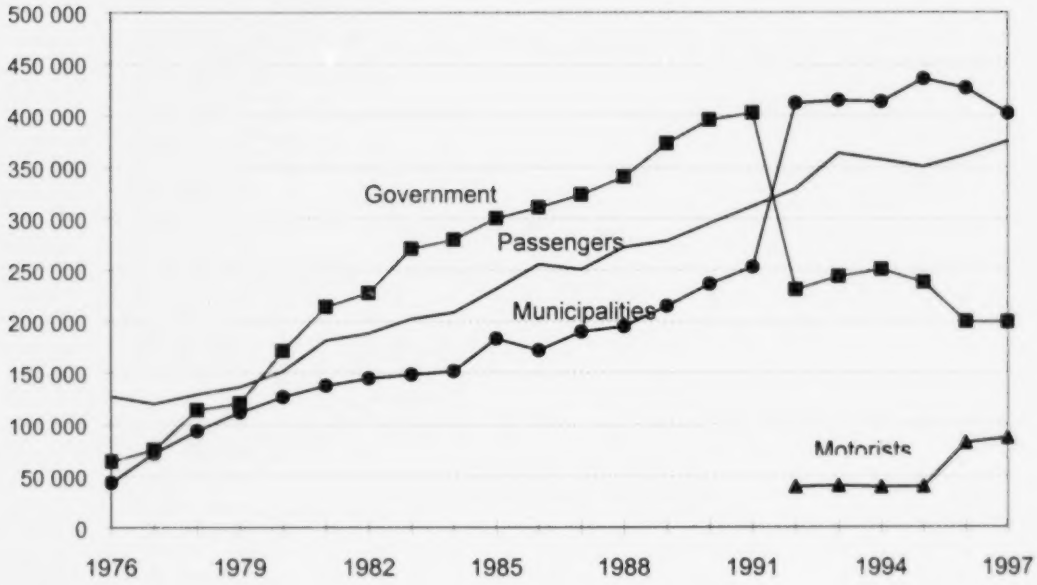
A monthly pass giving universal access to all services offered by the three transit corporations has been in use since 1990 ; the price is $73 for adults and $40 for students and senior citizens. A new regional pass giving access to all public transit systems, including intermunicipal transit councils, was launched on July 1, 1998 ; prices vary according to zones. Revenues generated by the sale of the regional pass are shared between operators according to services provided to riders (passenger-kilometers).

PUBLIC TRANSIT FINANCING IN THE MONTRÉAL REGION, IN 1997
($ 000)

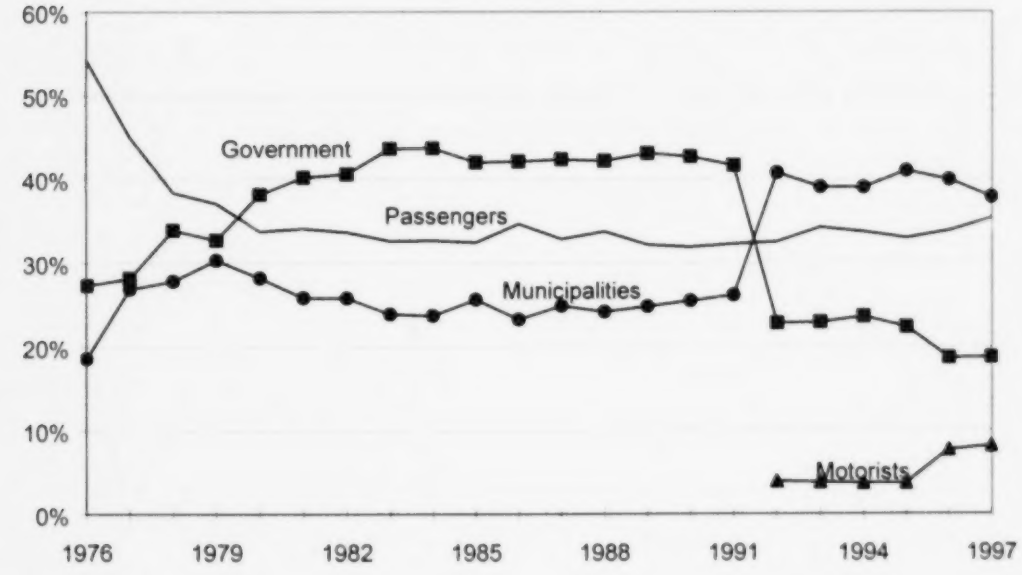
	Passenger revenue		Government subsidies		Motorists		Municipal contributions		TOTAL	
Authority	$	%	$	%	$	%	$	%	$	%
STCUM [1]	285 846	37%	135 393	18%	46 059	6%	301 253	39%	768 551	100%
STL	19 607	32%	6 896	11%	3 930	6%	31 040	50%	61 474	100%
STRSM	35 300	38%	14 553	16%	5 665	6%	36 731	40%	92 249	100%
ITC [2]	23 011	51%	14 624	32%	2 128	5%	5 761	13%	45 525	100%
AMT	11 477	14%	27 683	33%	26 549	32%	17 007	21%	82 716	100%
TOTAL	**375 241**	**36%**	**199 150**	**19%**	**84 331**	**8%**	**391 792**	**37%**	**1 050 514**	**100%**

1. Including government and municipal contributions for debt service charges resulting from metro construction.
2. Intermunicipal Transit Councils, and five suburban municipalities acting individually.

Contributions to Public Transit Financing in the Montréal Metropolitan Region, 1976 - 1997
($ 000)



Shares of Public Transit Financing in the Montréal Metropolitan Region, 1976 - 1997



Municipal contributions for transit range between 35¢ / 100$ of assessed value on the Island of Montréal and 2 - 3¢ in the outlying suburban communities. Transit is one of the main causes of municipal fiscal disparities within the region.

Transit fiscal burden within the CUM may now exceed the benefits received by business and residential property owners. Municipalities have frozen or reduced their contributions to the three transit corporations, thus jeopardizing services.

At the request of municipalities, the Government of Québec became progressively more involved in public transit financing; its share peaked at 44% of overall costs in the mid 1980s. In 1992, the termination of the operating subsidies to transit corporations led to :

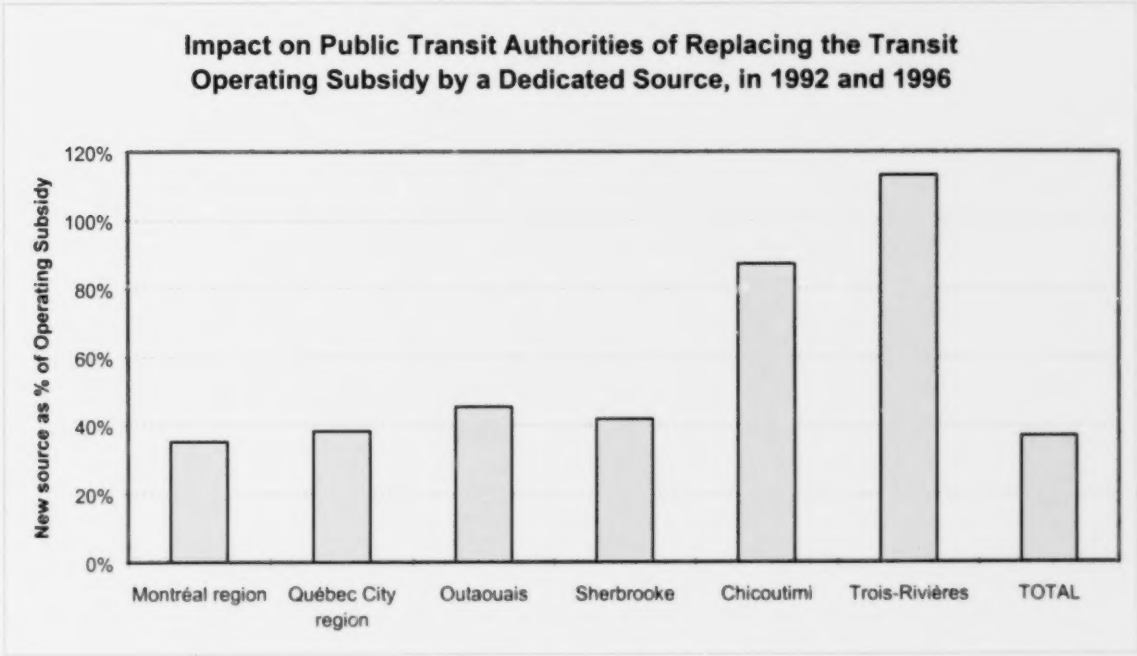
- ✓ increased municipal contributions
  - STCUM up 84%
  - STL (Laval) up 51%
  - STRSM municipalities up 25%
- ✓ increased fares up 17 - 32% (monthly pass price).

Government financial support is now allocated to

- subsidies to the capital expenses made by transit corporations (population over 100 000) ; subsidies represent 10 - 12% of total costs ;
- operating subsidies to authorities in suburban areas and in smaller urban centers (20 000 to 60 000 inhabitants) ; subsidies represent 30 - 35% of total costs ;
- adapted transit for the handicapped ; subsidies represent 75% of costs.

The reduction of government financial support to transit was in part compensated by the new contributions from indirect beneficiaries of public transit through

- a 30$ special car registration fee collected from car owners residing within the six census metropolitan areas, since 1992
- a surtax of 1.5¢ / liter of gasoline sold in the Montréal metropolitan area, since 1996.

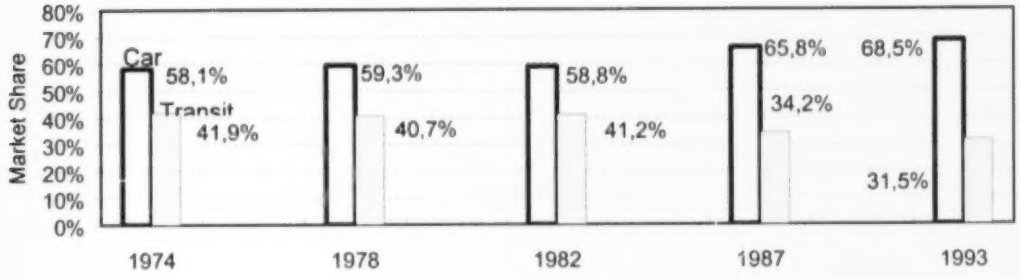


c) Use of Transportation Systems

Montréal's high population density in the center, by North American standards, contributes to its character as a transit-oriented city. The public transit share of trips is among the highest in North America. However public transit clientele is reaching a plateau and its share of total trips is dropping.

Increased car ownership, population growth in the suburbs, lower densities, and new poles of activity contribute to increased car use. Roads attract an increasing share of trips. During the morning rush hour, 60% of road use (vehicle-kilometers) takes place on MTQ infrastructure i.e. expressways.

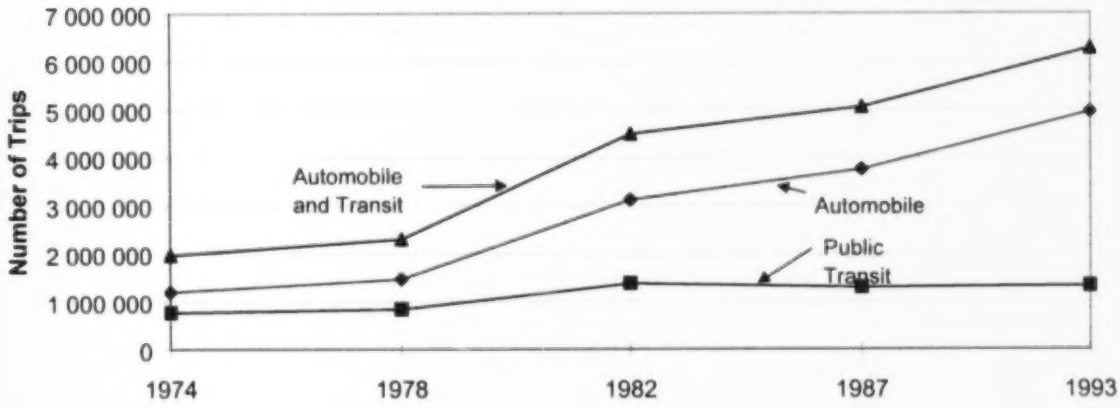
Car and Public Transit Shares of Trips in the Montréal Metropolitan Region, 1974 to 1993
Morning peak period (6 - 9 am)



Trucking accounts now for 70% of interurban goods movement and for all goods movement within the region. With just-in-time delivery, trucking has become an integral part of manufacturing and distributing.

Bridges are essential to connect together the islands, the North and South shores. With the increase in traffic, bridges become bottlenecks and contribute to congestion.

Trips Made by Car and Public Transit in the Montréal Metropolitan Area over a 24 h Day, 1974 to 1993



2. AGENCE METROPOLITAINE DE TRANSPORT

a) **Objectives**

Plan and manage public transit systems in a metropolitan perspective.

Finance public transit systems operations from regional sources.

b) **Agency's role**

The mission of the Agency :

- ✓ Define the metropolitan public transit system
- ✓ Provide financial support for services offered on the metropolitan public transit system
- ✓ Manage facilities belonging to the metropolitan public transit system
- ✓ Operate suburban train lines.

The Agency has the power to initiate and decide on matters of metropolitan concern :

1° Coordination between the highway system and the public transit system is achieved by :

- managing incentive parking facilities that serve to connect car and train, car and bus
- setting and managing reserved lanes to be used by carpools, buses, taxis.

2° Coordination of the public transit systems by :

- linking of systems
- sharing of user rights and costs of joint terminals
- integrated fares giving access to all systems
- rules and financing to provide access to a second system by disabled persons.

3° Development strategy for public transit.

4° Financial support for the metropolitan system

- residual cost of suburban trains
- total cost of metropolitan terminals, reserved lanes and incentive parking facilities
- allocation to transit corporations and intermunicipal transit councils that operate metropolitan services (50¢ / passenger on a reserved lane, 20¢ / passenger on the subway).

c) **Agency's financing**

The Agency's funding comes mainly from sources within its own territory

car-registration fees	40,4 M	(1997)
gasoline tax	46,1 M	
municipal contributions for capital expenses fund	10,2 M	
municipal contributions for suburban train service	17,0 M	
passenger revenues : integrated fares	30,9 M	
suburban trains	13,6 M	
government subsidies	27,7 M	

d) **Summary Assessment**

An institution now has jurisdiction over matters that are metropolitan in scope.

A government agency is involved in public transit, a municipal jurisdiction.

Resources collected at the metropolitan level are used by a metropolitan institution to finance, in all or in part, the cost of metropolitan facilities and services.

3. AMALGAMATING THE THREE TRANSIT CORPORATIONS: A PROJECT THAT WAS

a) **Situation**

The 36 municipalities included in the three transit corporations form the core of the Montréal metropolitan area :

- 74% of the population, 2.45 million inhabitants out of 3.3 million in the CMA
- 76% of jobs, 1.05 million out of 1.38 million in the CMA
- 83% of municipal expenditures, $3.8 billion out of $4.6 billion in the CMA for a $1540 per capita average compared to $900 in the suburban rings (in 1996)
- a higher population density, 3 820 habitants / km^2 compared to 1 765
- a more mature urbanization including poles of activity attracting workers and customers from all parts of the metropolitan area, as well as older areas in need of reinvestment
- a greater propensity to use public transit due in part to a higher proportion of households without car, and 97% of public transit trips in the CMA.

b) **Objectives and Principles**

- ✓ Consolidate the urbanized core of the region.
- ✓ Promote unity of purpose and action in public transit.
- ✓ Improve the efficiency of a public service.
- ✓ Stabilize public transit financing by reducing the burden on property taxes.

c) **Summary of the Proposal**

1. **Organization**

New board of directors representing the 36 municipalities included in the new corporation.

Amalgamation of three corporations into one : one management team instead of three, marriage of different cultures, integration of administrative systems, review of union certifications.

Total fare integration including tickets and cash fares ; opportunity to introduce differentiated fares.

New rules needed to assess each municipality's share of the new corporation's deficit.

2. **Financing** (all data are approximate)

Amalgamation would create opportunities to reduce costs and to increase revenue :

reduction of overhead costs	7 M
harmonization of service levels, standards and procedures	25 M
increased fare revenue through differentiated fares	18 M
Dedicated source to finance transit	57 M
Reduction of municipal contributions	>100 M (- 27%).

d) **Obstacles to implementation**

Doubts regarding the real probability of costs reduction, and opposition to an increase in car-related taxes for transit financing.

Lack of resolve to surrender local autonomy and share decision-making powers over transit.

Difficulty in forming a new board that would be efficient, pro-transit, and provide adequate representation of the 36 municipalities.

Difficulty of allocating new funds to finance transit in the Montréal region without doing the same for other metropolitan areas in Québec.

4. A PREVIEW OF THE FUTURE

a) Outlook

According to the MTQ projections, the new transportation situation in 2011 would involve :

- 670 000 new residents, a 20% increase, 550 000 of them outside the island of Montréal ;
- 240 000 additional trips during the morning peak period ; trips made by car would increase by 27% while public transit would lose 21 000 rides, or 6% of its clientele.

According to these projections, traffic jams could extend over a three-hour period on the approaches to expressway bridges. These bridges would have to accommodate more traffic resulting from new jobs created on the island of Montréal and new residents settling in the suburban rings. Four new expressway bridges would be needed to absorb the added vehicles flow.

Goods transportation is already delayed by congestion, a situation that could become worse in the future. The USA situation shows that at any point in time one third of business inventory is in transit. Businesses' efforts to shrink inventories through a variety of means including just-in-time delivery make them more vulnerable to increasing congestion.

This outlook presents the region with a difficult choice :

- Invest heavily in transportation infrastructure, especially roads,
  OR
- Modify behavior patterns, ways of doing things.

In practice, the required investments exceed available resources by far. Indeed present financial resources are barely sufficient to cover maintenance of existing infrastructures.

If the goal were to maintain transit's share of trips, investments in public transit systems over the next 10 years would require $1995 M :

replacement of or major repairs to existing infrastructure	1 060 M
improvements to existing infrastructure	355 M
new infrastructure	580 M

Present sources could provide $1490 M or 75% of that amount :

MTQ programs	885 M	
public transit authorities[2] and municipalities		450 M
Metropolitan Agency's capital expenses fund	160 M	

b) Organization

- ✓ Make all public transit systems in the metropolitan region act like ONE body.
- ✓ Planning and coordination must involve all transportation systems.

---

[2] Through increased fares, higher passenger revenues generated by increased ridership , and productivity increases.

The Agency could play an expanded role, including the supervision of roads management policies (traffic lights coordination, parking regulations).

The Act provides that the Agency must be evaluated in 1999. The opportunity of putting the Agency under municipal control will be considered.

Amalgamation of the three transit corporations might be reconsidered in the near future. If such is the case, amalgamation of all transit authorities should be an additional option.

Implementation of demand management will probably require business sector participation.

c) Financing

- ✓ Financing of public transit should be both stable and sufficient in order to maintain existing infrastructure and to fund improvements and developments required to increase ridership.

Government and municipalities are unlikely to increase funding in the mid term.

New resources may have to be found within the systems themselves :

- improved efficiency
- increased passenger revenue, i.e. make users pay differentiated fares for express services or at rush hour.

If considered realistic, « road pricing » (i.e. tolls) could alleviate congestion and provide the money to fund alternative projects.

98-09-11